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## INTELLIGENCE BRIEF

SOVIET DISCUSSIONS  
ON THE ECONOMIC IMPACT OF DISARMAMENT

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SOVIET DISCUSSIONS  
ON THE ECONOMIC IMPACT OF DISARMAMENT

Although a great deal has been written in the US concerning the economic impact of disarmament, only three works explicitly directed toward this subject have been published in the USSR, and they are clearly inferior to their Western counterparts. Soviet writers are concerned to an inordinate extent with conversion from high levels of military activity in capitalist economies and with interpretations of history blaming the US for the Cold War and the arms race. Although the Soviet publications are full of propaganda at the expense of serious analysis, the most recent treatment contains less propaganda and shows greater awareness of possible problems with conversion. Nevertheless, these Soviet writers substantially understate the difficulties that the USSR would encounter in adjusting to disarmament.

1. Background

Almost continuous disarmament negotiations since the end of World War II have produced an atmospheric test ban treaty and the establishment of a "hot line" between Washington and Moscow. They also have produced a multitude of proposals ranging from relatively limited measures to general and complete disarmament. It is widely recognized in the West that substantial alteration of military spending would have major economic consequences and that carefully considered policies could greatly facilitate the conversion process. In the US a great deal has been written concerning the economic impact of disarmament, and there appears to be a general consensus on a number of measures that would be desirable to aid in the adjustment from military to civilian output. In contrast, only two books explicitly directed toward this subject have been published in the USSR -- Ekonomicheskiye problemy razoruzheniya (Economic Problems of Disarmament), edited\* by I. S. Glagolev and published in 1961, and Vliyaniye Razoruzheniya na ekonomiku (The Economic Impact of Disarmament), written by the same I. S. Glagolev and published late in 1964. Similar ground is covered by the Soviet government's 23-page reply in 1962 to the UN Secretary General's request for information on economic and social consequences of disarmament. All three Soviet studies are clearly inferior to their Western counterparts.

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\* This book is a collection of eight articles by as many authors, one of whom is Glagolev himself.

They are full of propaganda at the expense of serious analysis, but the most recent study -- Glagolev's *The Economic Impact of Disarmament* -- contains less propaganda and shows greater awareness of possible problems with conversion.

## 2. Impact on Market-Oriented Economies

The Soviet writers are concerned to an inordinate extent with (1) conversion from high levels of military activity in capitalist economies and (2) interpretations of history that blame the US for the Cold War and the arms race. According to the standard Soviet position held until about 1958, capitalist economies would collapse if military expenditures were reduced significantly. Since 1958, however, the position has been completely reversed -- probably because it had undercut Soviet disarmament policy -- and Soviet authors and officials now take the line that adjustment to lower defense spending could be accomplished by market-oriented economies without undue strain.

In *The Economic Impact of Disarmament*, Glagolev almost fervently asserts that capitalistic economies are able to offset any decline in the level of economic activity stemming from an arms control agreement. He presents, in general terms, the essence of the fiscal policy prescribed by Western economists -- that is, a program of tax cuts with some increases in spending on social overhead. Indeed he comes dangerously close to arguing that the US Government could eliminate depressions or recessions by fiscal means regardless of their cause. Recognizing this treacherous terrain, Glagolev quickly retreats to Marxist orthodoxy by claiming that disarmament, in spite of its potential for a highly beneficial impact on US consumer welfare and eventually on economic growth, could not possibly save capitalism from its own inherent contradictions and eventual destruction. Nevertheless, the retreat is weak compared with his frequently stated optimism, and the discussion is bound to raise doubts in the minds of at least some of his Marxist readers.

The Soviet authors interpret history to pin the blame for the Cold War squarely on the US. They repeat at length the familiar arguments that "influential circles" in the West fear the possible depressive impact of cuts in defense spending and feel that it is necessary to continue the arms race. The Soviet authors counter this alleged Western opinion with the same general conclusion as the more sophisticated Western economists -- that disarmament without depression is

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possible in capitalist countries. However, the Soviet writers show little appreciation for the theoretical structure of Western reasoning. They neither mention explicitly nor use implicitly such Western economic concepts as the "multiplier" and "accelerator," and they do not discuss the relationship between monetary and fiscal policies appropriate for disarmament. Nevertheless, Glagolev apparently believes that his policy prescriptions represent a genuine contribution that will improve the ability of the US Government to cope with problems arising from reduced spending on arms. His motivation, of course, is to make disarmament more palatable to the West.

Although the three Soviet studies have major deficiencies in common, Glagolev's recent book appears to be an improvement over the previous works. In part the improvement is a matter of tone and emphasis, but a number of specific points can be cited. In the first place, pointless comparisons of Soviet and US economic performance, such as the digression on working hours in Economic Problems of Disarmament, have been excluded. Almost three of the nine pages supposedly devoted to the topic "swords into plowshares" in the earlier book were devoted to extolling the Soviet government's allegedly enlightened policy of reducing working hours. This is contrasted with the policy in capitalist countries where, it is asserted, "the exploiters have always striven to lengthen the workday and to reduce wages." In the US, it is charged, statistics are manipulated to indicate a shorter workweek than actually is in effect. Second, Glagolev refrains from personal attacks on Western economists. Now Glagolev, rather than attacking Western economists, castigates the Soviet authors of the untenable thesis put forth during the years of the "cult of personality" that "under capitalism, output grows chiefly, even exclusively, as a result of increases in military output." Finally, Glagolev states more clearly than his predecessors the essential conclusion of Western economists that disarmament need not induce depression in capitalist countries, and he concedes that this conclusion has the general, if not unanimous, support of analysts in the US.

### 3. Impact on the Soviet Economy

The Soviet authors all argue that their government, through its planning system, would have little difficulty in converting the economy to civilian production in case of substantial reductions in spending on arms. They feel that the existing planning apparatus would be entirely competent to deal with any problems that might arise and that few, if any, special measures would be required. Accordingly, their conversion

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planning consists essentially in listing men, materiel, plant, and equipment currently employed in military operations or support. They point out that the vast majority of these resources fall into two categories -- those that can be used directly in their present form in the civilian economy and those that can be converted to civilian uses with minor effort. For the few workers who have such narrow military specialties that there is no reasonably close civilian substitute, the government could extend the same privileges currently accorded veterans. Both Economic Problems of Disarmament and the Soviet contribution to the UN report begin the discussion of conversion with glib assertions about the great flexibility of socialist economies. Economic Problems of Disarmament, for example, states:

One of the unquestionable advantages of a socialist system consists of its capability to convert from a military to a peaceful economy. This advantage is ensured because in socialist countries military property, as well as civilian transportation, industrial, and other property belong to one master -- the socialist state -- and are subordinate to an integrated plan for the entire national economy. All that is required is a set of appropriate modifications in the plans, and the factories will be switching from military to civilian orders.

Similarly, the reply to the UN states, "For the socialist countries, reconversion presents no problems (that is, there can be no difficulties in changing over from military to non-military production)." Glagolev, on the other hand, while arguing that conversion will be easier for the USSR than for the US, stresses that even in the USSR studies will be necessary and that they are, in fact, underway.\* He claims that explicit attention is paid to alternative possibilities for development of the Soviet economy under various military spending

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\* Glagolev lists the Institute of World Economy and International Relations and the Institute of Economics, both under the Academy of Sciences, and the Scientific Research Institute for Study of Market Trends under the Ministry of Foreign Trade as Soviet institutions engaged in studying the economic impact of disarmament.

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programs.\* Glagolev points out that adjustment to general and complete disarmament could not be accomplished "mechanically," that labor market information would have to be easily available to individuals and enterprises, and that it would take some time and effort to match available job opportunities with individual abilities and preferences. Nevertheless, the Soviet authors arrive at the conclusion that a large part of the labor force now in the military services or engaged in production directly supporting the military would be able to continue in the same or closely related occupational specialties. Furthermore, they argue that since plant and equipment now engaged in military production could easily convert to civilian versions of the same item, a large part of the civilian labor force not only could remain in similar occupations but also could continue at the same place of work. From this line of argument the Soviet writers apparently conclude that the regional impact of disarmament and the impact on subsidiary industries would be inconsequential.

It seems clear that the Soviet authors substantially understate the difficulties likely to be encountered in adjusting to disarmament. Their basic error is the failure to consider civilian demand in relation to the kinds and quantities of economic resources that would become available.\*\* It may be true, as they claim, that plants manufacturing missiles and military aircraft could produce rockets for space exploration or jet transports. There is no mention, however, of how many civilian rockets and planes could be produced or of what use the people -- or Party -- might make of them. There would be repercussions on service, trade, and subsidiary industrial organizations that are not even hinted at by the Soviet writers.

In the process of conversion, Soviet planners would almost certainly find that workers would have to be retrained and relocated in far greater numbers than their glib assertions imply. The Soviet authors clearly are

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\* The assertion (in a different context) that under disarmament the planned growth of industrial production could reach 10 to 12 percent a year, rather than the 8 to 9 percent that has been planned in recent years, may reflect only an estimate by Glagolev.

\*\* This failure stems directly from the neglect of demand by the Soviet economic planners. Liberalization of discussion and recent willingness to experiment suggest that the time may soon be ripe for a more realistic appraisal of adjustment to large reductions in military spending.

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overly optimistic with respect to the adaptability of career military personnel to civilian occupations. For example, the demobilizations during 1954-61, admittedly fairly extensive, were not accomplished without some public grumbling. On 19 January 1960, in preparation for cuts in military manpower, Minister of Defense Malinovskiy found it necessary to remind Soviet officers in particular that "it is unbecoming" to be despondent even though local organizations were slow in finding work for them. Nevertheless, signs of discontent and a charge of callousness appeared in Krasnaya zvezda (Red Star) later in the same year. Even after the demobilization was suspended in 1961, appeals were made to reserve officers to migrate to the Far East where agricultural employment was available. In January 1964 a Soviet legal officer again noted in Izvestiya that the code requiring employment for returning servicemen was being broken. Difficulties in adjusting to the demobilization were not confined to veterans returning home. The relatively rapid reduction in armed services personnel during 1956-57 was followed by serious unemployment among teenagers. This problem apparently arose because job opportunities were not adequate to accommodate both the servicemen and the new members of the labor force. Thus the available evidence indicates that conversion probably would cause more problems and require greater effort than the unclassified Soviet literature recognizes or admits.



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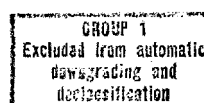
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